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**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday February 3, 1977

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**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday February 3, 1977.

The NID Cable is for the purpose of informing senior US officials.

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EAST-WEST GERMANY: Rumors

25X1 [REDACTED] //Unfounded rumors are circulating in West Germany and Berlin that military action is impending that involves East German troops.//

25X1 [REDACTED] Some of the rumors, which have now appeared in the West German press, stem from recent East German efforts to erode the special status of East Berlin, from the regime's crackdown on attempts by East German civilians to emigrate, and from what appears to be a routine call-up of some East German reservists.

[REDACTED]

25X1

25X1 [REDACTED] There are some reports, also unconfirmed, that a country-wide mobilization exercise is scheduled for this May. The last such exercise took place in 1970, although there was a large, but not country-wide, exercise in August 1974.

25X1 [REDACTED] It is possible that the East Germans are in the process of testing their mobilization alert call-up procedures. This would allow a more efficient call-up if a larger exercise were to take place this spring.

[REDACTED]

25X1

25X1 [REDACTED] Such call-ups are not in themselves unusual. East German regulations require that all reservists take part in training every three or four years for periods of as long as three or four months.

[REDACTED]

25X1

[REDACTED]

25X1

[REDACTED] //As the rumors and reports have become more widely circulated, they have generated a new series of speculative rumors:

--Rumor One--The "troop mobilization" has been made necessary by the prospect of serious disorder in East Germany.//

25X1

[REDACTED] //That such rumors have resonated, and perhaps originated, in East Germany is testimony that there is considerable unease in the country. The question is how serious is it and how concerned are the East German leaders.//

25X1

[REDACTED] //The evidence suggests that there is no internal crisis brewing. [REDACTED]

25X1

25X1

[REDACTED]

25X1

[REDACTED] //--Rumor Two--The East Germans may move against Allied interests in West Berlin and particularly Allied access to the city.//

25X1

[REDACTED] The East Germans this year have taken steps to undermine the Allied contention that East Berlin has a special status. Some unofficial spokesmen have also made threats about curtailing West German traffic to East Germany. The East Germans and the Soviets have continually asserted that the Quadripartite Agreement does not apply to East Berlin, and they and the Soviets have asserted that the "four power status" of East Berlin no longer exists.

25X1

[REDACTED] Neither the East Germans nor the Soviets, however, have talked about interfering with either West German or Allied access to West Berlin.

25X1 [ ] The East Germans have complained that the allies do not compensate them enough for moving Allied trains to West Berlin, and they conceivably might slow down the processing of these trains.

25X1 [ ] Such an action would directly involve the Soviets, as the Allied right to access derives from four-power agreements.

25X1 [ ] The Soviet ambassador to East Berlin has vaguely hinted that he is disturbed about the number of Allied--particularly US--patrols that come into East Berlin, and the Soviets themselves, or the East Germans on their behalf, might take some action to impede these patrols. Four-power agreements are also involved here and, again, the Soviets and East Germans would move very cautiously.

25X1 [ ] *//--Rumor Three--* The East Germans are being called up in preparation for a Soviet "invasion" of Poland.

25X1 [ ] Such an "invasion" presumably would be in reaction to deteriorating internal security in Poland. But the Polish scene is relatively quiet. There is no evidence of significant disturbances or that such disturbances are in the offing. There is no evidence of unusual activity associated with Polish security forces or of Soviet troops near, or in, Poland.

25X1 [ ] Party leader Gierek returned to the country, as expected, on January 28 from a routine trip to India and Iran. Prime Minister Jaroszewicz has also been out of the country, signing trade agreements in Romania. The regime was able to put enough consumer goods on sale during the sensitive Christmas season and avoided trouble. The public mood was much more volatile last July and August than it seems at the present time.

25X1 [ ] Gierek knows that he must avoid making the kind of mistake that precipitated the riots last summer. Thus, he has promised no price increases this year, and he is trying to put into effect economic reforms that will encourage the private, and more efficient, sector of the Polish economy. He has also handled Polish dissidents with kid gloves.

25X1 [ ] But the potential for serious unrest remains undiminished and the Soviets would use their forces if necessary to maintain Communist rule in Poland. [ ]

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USSR-EGYPT: Strained Relations

25X1 [ ] President Sadat's harsh criticism of the USSR in the wake of Moscow's postponement of discussions on a 1977 trade protocol will exacerbate the strains in Soviet-Egyptian relations.

25X1 [ ] Since the postponement late last week, Sadat has publicly accused the Soviets of responsibility for the antigovernment riots that took place in mid-January. Sadat's allegations probably are a response both to the postponement and to the Soviets' extensive and prolonged media coverage of the rioting, which marked a sharp departure from their circumspect treatment of Egyptian domestic disturbances during the past several years. 25X1

25X1 [ ] Before the postponement, Cairo had accused Egyptian communists and leftists of instigating the riots. Soviet commentary termed these charges "flagrant lies" designed to obtain increased assistance from Arab oil producers and the US. 25X1 [ ]

25X1 [ ] The introduction of a bill in the Egyptian parliament on January 26 calling for severing diplomatic relations with the USSR may well have played a part in the Soviet decision to call off the trade mission. 25X1

25X1 [ ] Trade relations will continue even if the two sides never get around to initialing the 1977 protocol. Soviet-Egyptian trade reached a high level in 1974, for example, without a formal trade protocol.



25X1 [ ] The Soviet moves reflect Moscow's determination to keep pressure on Sadat and to refrain from any significant inducements to the Egyptians as long as Cairo gives priority to its ties with the US and ignores Soviet complaints. Moscow has been particularly incensed at Sadat's domestic policies, which continue to de-emphasize socialist institutions in favor of the entry of Arab and Western capital. [ ]

25X1

BRAZIL: Nuclear Development

25X1 [ ] //The Brazilian government is increasingly adamant in its refusal to consider any revisions in its nuclear development program.//

25X1 [ ] //Earlier this week, the government publicly rejected a suggestion by Secretary Vance that Brazil temporarily suspend its agreement with West Germany under which the Germans are to provide plants for uranium enrichment and spent fuel reprocessing. The government statement comes at a time when prominent congressmen in both Brazilian parties as well as senior foreign policy officials are denouncing US criticism of the accord as outside interference and an insult to their national prestige.//

25X1 [ ] //The statement was apparently based on a decision by the Geisel government not to consider any alternatives to present plans for obtaining plants for enriching uranium and recycling fuel. Brazil is seeking energy alternatives to petroleum, coal, and natural gas, which it must now import at great expense. It intends to obtain a full nuclear fuel cycle, including reprocessing, in order to reduce its dependence on foreign sources for nuclear fuel.//

25X1 [ ] //The Brazilian press has been strongly critical of US statements that warn against nuclear proliferation, arguing that the Nonproliferation Treaty is discriminatory. The government insists that it will not be bound by any agreement that could restrict its economic and technological development. Brazilian officials have said, moreover, that the government will not sign the Nonproliferation Treaty so long as Argentina, Brazil's regional rival, refuses to do so. [ ]

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ITALY: Political Activity

Political maneuvering has become more intense within both the Christian Democratic and the Socialist parties--the two groups that must cooperate if an Italian government not dependent on the Communists is to be formed.

Although many Christian Democrats are critical of the extent of the government's cooperation with the Communists, they have been reluctant to challenge Prime Minister Andreotti head-on, and for the moment his position seems secure. His acceptance of last week's labor-management agreement on labor costs, however, triggered criticism from a wide array of leaders from across the party's political spectrum.

Andreotti appears to have quieted his critics for now with a promise of further government action on labor costs--action he may have intended to take in any case. The government move, which is likely to combine an assumption of part of industry's social security expenses with some offsetting tax increases, should be announced after tomorrow's cabinet meeting.

25X1 [ ] These maneuvers seem likely to inaugurate a period of heightened political activity. Many Italians believe that Andreotti's minority government will be lucky to survive the spring. The obstacles to major changes, however, are still formidable:

25X1 [ ] --Although the center of gravity among Christian Democrats may be moving to the right, party leaders know that ousting Andreotti would open a wide range of political and economic uncertainties.

25X1 [ ] --The Socialists, whose votes or abstentions would be critical in any effort to freeze out the Communists, remain a question mark. Craxi says he would like to move the party back toward the Christian Democrats, but he views this as a long-term operation involving the strengthening of his own authority, the curbing of numerous party leftists who want closer ties with the Communists, and the enhancement of the party's image so as to avoid the subaltern role it played in recent center-left governments. For now, the Socialists could not be counted on even to deliver a cohesive block of abstentions--much less positive votes--if the Communists went into opposition.

25X1 [ ] --Finally, the Communists are strongly opposed to a change of government. Believing the time is not ripe for further Communist political gains and reluctant to go back into the opposition, they have let it be known that they regard the Andreotti government as the best available. The other parties realize that reconstituting a government in the face of Communist parliamentary opposition would be chancy and also that Communist commitment to the austerity program is a prerequisite for the program's success; thus they will feel compelled to move carefully.

25X1 [ ] With the various parties feeling their way, a full-fledged government crisis does not appear imminent. Nevertheless, the political maneuvering--with the risk of crisis at some point--seems likely to continue into spring, when the populace will be feeling the effects of the austerity program more intensely. [ ]

SPAIN: Situation Report

25X1 [ ] The Spanish government's handling of the outbreak of terrorism in Madrid last week has led to some unhappiness among opposing political factions as well as renewed threats of violence from extremist groups of both the left and right.

25X1 [ ] Earlier this week, there were complaints from some opposition parties that a police dragnet in response to the slaying of three police and civil guards on Friday was unduly harsh against members of far-left parties and trade union organizations. The preponderance of suspects detained were in fact leftists, and there was speculation that the large number of arrests was carried out to pacify rightist generals who have been particularly upset by the recent kidnaping of the head of the military tribunal. By midweek, the government had released many of the leftist suspects.

25X1 [ ] In another important gesture to the right, King Juan Carlos--who has played a key role in keeping the military loyal to the government and out of politics--was pictured prominently in Spanish newspapers on Tuesday having lunch with General Jaime del Bosch, a Francoist hard-liner, and his troops.

25X1 [ ] Despite the government's attempt to placate the right, there were further demonstrations of dissatisfaction yesterday. Defying a police ban, about 250 rightists gathered outside the church where a mass was held for the dead policemen and shouted slogans against the government and the King.

25X1 [ ] Consistent with its declared policy of refusing to play favorites between right and left, the government has deported several foreign right-wing extremists. The rightist sub-director of the navy war college also has been dismissed for an act of insubordination. He shouted antigovernment taunts at Deputy Prime Minister Gutierrez Mellado when the latter was escorting the bodies of the slain policemen on Saturday. [ ] 25X1

25X1 [ ] IRAQ: Policy Statement

25X1 [ ] Iraqi strongman Saddam Husayn may be signaling some change in Iraq's uncompromising opposition to a negotiated settlement of the Arab-Israeli dispute.

25X1 [ ] In an interview widely publicized domestically and in a speech obviously intended as a major policy statement, the Iraqi leader expressed in general terms tolerance of discussions between Arab leaders and Israelis to achieve interim aims as long as Arab negotiators did not lose sight of the final goal. His position seemed to be to acquiesce reluctantly in negotiations as a temporary expedient because conditions do not permit the Arabs to reach their final objective at this time.

25X1 [ ] Iraq's position has, until now, been wholly negative toward the idea of a negotiated settlement with Israel. The US interests section in Baghdad believes Saddam Husayn now realizes that continuation of this policy in the face of an Arab consensus in favor of entering into negotiations with Israel--a consensus that includes most of the Palestinian leadership--would only isolate Iraq further. In the view of the interests section, Saddam Husayn is preparing the Iraqi public and the country's rejectionist Palestinian allies for a shift by Baghdad to a more passive stance on the subject of a negotiated settlement.

25X1 [ ] At the same time, the Iraqis will probably continue to remind Arab leaders that, for Baghdad, the "final goal" is eventual replacement of Israel with a "democratic state of Palestine" and will advocate a very hard line in any negotiations.

25X1 [ ]  
IRAN: Countering Dissidents Abroad

25X1 [ ] The Netherlands government and Amnesty International are the latest targets in Iran's campaign to counter the activities of Iranian dissidents abroad.

25X1 [ ] An Iranian consumer organization--almost certainly at the direction of the government--has publicly threatened a boycott of Dutch goods if the Netherlands permits "anti-Iranian groups under the sponsorship of Amnesty International" to hold a conference in Amsterdam on February 18.

25X1 [ ] The threatened boycott is meant to carry an essentially political message. Dutch exports to Iran account for less than 3 percent of Iran's total imports and 1 percent of Dutch exports.

25X1

[redacted] The Dutch Foreign Ministry has reiterated that the government cannot legally block the conference. This will not satisfy the Iranians, who have made clear in recent weeks that they expect friendly governments to find some way to prohibit anti-Iranian actions on their territory. Iran's foreign minister delivered this message--more tactfully worded--to the US ambassador on January 20 in response to activity by Iranian dissidents in the US.

25X1

[redacted] Iran's parliament also rejected a "petition" Tuesday from Swedish legislators on behalf of Iranian political prisoners. The rejection asserted that a more balanced view is necessary for the preservation of close ties between Iran and Sweden.

25X1

[redacted] Iran, stung by repeated criticism from Amnesty International on the question of human rights, struck back last month with a major press attack. Editorials in Iran's semicontrolled press charged that the organization is planning a worldwide campaign against Iran and insinuated that it is in league with Marxist groups sympathetic to Iranian terrorists.

25X1

[redacted] Iran also sought to answer its critics by reportedly releasing 66 prisoners on Tuesday, including several convicted of terrorism and political crimes. This was the second such release this year.

25X1

[redacted] Nearly 4,000 Iranians remain in prison for terrorism or communist activity, according to a recent statement by the Shah to French reporters.

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INDIA: Congress Party Defections

25X1 [ ] Prime Minister Gandhi could face a serious challenge in the Indian parliamentary election scheduled for next month if the resignations yesterday of several influential members of her Congress Party are followed by further defections. Gandhi had appeared headed toward a certain election victory.

25X1 [ ] Agriculture Minister Ram, a veteran cabinet member and the spokesman for India's "untouchables," resigned from both the party and the cabinet, charging that Gandhi is leading India toward despotism. Ram was joined by five other members of the party, including former chief ministers of the states of Uttar Pradesh and Orissa. A prominent member of the party in West Bengal reportedly has also resigned, possibly foreshadowing the defection of that state's chief minister, who has been at odds with Gandhi.

25X1 [ ] Gandhi, who survived a serious split in the party in 1969, still enjoys substantial personal popularity and considerable political leverage as prime minister. Moreover, she retains control over a party organization that is active in almost every village. Still, the defections raise serious questions about her chances in four states--Uttar Pradesh, West Bengal, Orissa, and Bihar, Ram's home state--which together have about 40 percent of the seats in the parliament.

25X1 [ ] If Ram and the other defectors can retain the loyalty of their followers and if they can work out an election arrangement with the main opposition parties--most of which have joined together for the campaign--Congress Party candidates would be threatened in many constituencies. In the past, Congress candidates have frequently won elections with pluralities or small majorities.

25X1 [ ] Gandhi's public reaction so far has been limited to a statement regretting Ram's "surprising decision," but the US embassy expects her to counterattack strongly enough to deter some potential defectors. [ ]

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